



*United States Attorney  
Southern District of New York*

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**BANK OFFICIAL PLEADS GUILTY TO FEDERAL CHARGES**  
**REGARDING A TAX FRAUD SCHEME**  
**INVOLVING FRAUDULENT TAX SHELTERS**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced that DOMENICK DEGIORGIO, a former official at the New York branch of Bayerische Hypo und Vereinsbank ("HVB"), a German bank, pled guilty in Manhattan federal court earlier today to a four-count Information, including tax fraud charges relating to his participation in a tax fraud conspiracy involving fraudulent tax shelters. According to DEGIORGIO's guilty plea allocution, the fraudulent tax shelters in which he participated involved the loss to the United States of hundreds of millions of dollars.

According to the Information and DEGIORGIO's guilty plea, DEGIORGIO was co-head of HVB's Financial Engineering Group, where his responsibilities included overseeing HVB's participation in various tax shelter transactions, including those known as "Bond Linked Issue Premium Structure," or "BLIPS." The objective of these transactions, DEGIORGIO admitted, was to help the wealthy clients

of the BLIPS promoters to significantly reduce their tax liability to the United States by generating purported tax losses, which losses were dependent on a bank purporting to provide a loan structured in a particular way to the client.

According to DEGIORGIO, the loan proposed and put in place by the BLIPS promoters was a sham because among other things, as designed, no money ever left the bank and because HVB never set aside any of its own money or procured funds from the banking market in order to fund any of these loans. DEGIORGIO admitted that, at the time he participated in BLIPS, he was well aware of these facts. DEGIORGIO also admitted that he had reviewed the draft BLIPS tax opinion letter and knew that BLIPS was falsely described as involving, as an important part of the transaction, these purported loans, and he also knew that this false description was created in order that BLIPS clients would claim BLIPS tax losses and keep for themselves money that they should have paid in taxes. DEGIORGIO further admitted that he agreed to participate in these transactions, and in furtherance of the scheme, he and others caused HVB to prepare and execute various false documents that made it appear that HVB was providing real loans, when in reality, it was not.

During his guilty plea, DEGIORGIO admitted further that there were other false and misleading aspects of BLIPS that he recognized to be false and misleading at the time, including that:

BLIPS was falsely represented to be a three-stage, seven-year investment program, when in reality it was, as described to him by the promoters, a short-term transaction designed to create tax losses; and the BLIPS promoters falsely claimed that the "investment" component of the program was "leveraged," when it was not — the purported "loan" was not used in the relatively small trades relating to two foreign currencies (the Argentine Peso and the Hong Kong dollar). DEGIORGIO stated in his plea that, in reality, those trades were all executed using and secured by cash that was advanced by the BLIPS clients. These Peso and Hong Kong dollar trades were not "secured" by the purported loan; in fact, the purported "loan" had nothing to do with those trades, according to DEGIORGIO's plea.

In addition to the conspiracy charge involving BLIPS, DEGIORGIO also admitted that, while employed at HVB, he had dealings with certain promoters of tax shelter transactions, and that, during the course of these dealings, he helped these individuals to conceal from the IRS various fees that they received for their participation in these transactions. According to the Information and DEGIORGIO's plea, DEGIORGIO did this between 1996 and 2002 by authorizing HVB in Manhattan to wire transfer those fees to offshore nominees in order to conceal those U.S. promoters' income from the IRS. Between 1997 and 2001, according to DEGIORGIO's guilty plea, he received funds indirectly from one of

these promoters, who was based in California. This promoter also arranged for the payment of some of DEGIORGIO's personal bills and obligations in New York. DEGIORGIO admitted that the payments he received totaled several hundred thousand dollars, and he failed to declare these payments as income on his federal tax returns for the years in which he received the benefits of these payments.

DEGIORGIO also admitted that, between 1999 and 2001, in connection with a tax shelter transaction in which HVB was participating, he defrauded his employer, HVB, by taking for his own personal use certain funds that were supposed to be payments to HVB. DEGIORGIO admitted that he took this money by taking funds out of HVB's bank accounts in Manhattan, via wire transfers, and using them to pay various personal bills. DEGIORGIO also admitted evading his taxes by failing to report this income on his federal income tax returns.

Mr. KELLEY, who praised the investigative efforts of the IRS, stated: "Our self-reporting tax system can not tolerate the fraudulent acts of bankers, accountants, and lawyers who, under the guise of 'sophisticated tax planning,' create elaborate structures that have no purpose but to mislead and defraud the IRS, at the cost of billions of dollars to the United States. Those who seek to devise, implement, and profit from these fraudulent structures should understand that we will devote whatever resources it takes to put a stop to them."

DEGIORGIO, 42, who lives in Cold Spring Harbor, New York, faces a maximum sentence of five years in jail on each of the two conspiracy charges to which he pled guilty. He also faces five years on the tax evasion charge and thirty years on the wire fraud charge. United States District Judge BARBARA S. JONES did not set a sentencing date.

Assistant United States Attorneys STANLEY J. OKULA, JR. and JUSTIN WEDDLE, and Special Assistant United States Attorney KEVIN DOWNING are in charge of the prosecution.

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